

Transcript Exhibit(s)

E-04230A-04-0798

F-04204A-04-0798

F-01750A-04-0798

I-04204A-04-0824

E-01750A-04-0824

AZ CORP COMMISSION

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#### MEMORANDUM

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TO:

Docket Control

FROM:

Ernest G.Johnson

Director

Utilities Division

EXHIBIT

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2005 JUL 22 / A 10: 02.

AZ CORP COMMISSION DOCUMENT CONTROL

DATE:

July 22, 2005

RE:

STAFF REPORT IN THE MATTER OF THE COMPLAINT OF MOHAVE ELECTRIC COOPERATIVE AGAINST UNISOURCE ENERGY CORPORATION AND APPLICATION OF UNS ELECTRIC, INC. FOR AN ORDER APPROVING A TRANSFER OF A PORTION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY – STIPULATION AND PROPOSED RESOLUTION BY MOHAVE ELECTRIC COOPERATIVE, INC. AND UNS ELECTRIC, INC. (DOCKET NOS. E-01750-04-0798; E-04204A-0798; E-04204A-0798;

04230A-04-0798; E-04204A-04-0824; AND E-01750A-04-0824)

Attached is the Staff Report addressing the joint filing of Mohave Electric Cooperative ("Mohave" or "MEC") and UNS Electric, Inc. ("UNS") regarding the "Stipulation and Proposed Resolution" ("Resolution") relative to the disputes between the two utilities spelled out in the referenced dockets. Staff supports the Resolution, under which the Certificate of Convenience and Necessity ("CC&N") pertaining to service to Central Trucking, Inc. ("CTI") be reverted to UNS and the CC&N pertaining to service to Nucor remain with Mohave.

Staff recommends that the Commission approve the Resolution jointly proposed by UNS and Mohave to provide electric service to CTI and Nucor and other pertinent existing and future electric load in the two respective CC&Ns in question.

Staff further recommends that Nucor or its successor be provided notice at least six months before the service to Nucor or its successor reverts to UNS from MEC. A copy of this notice should be filed with Docket Control within 30 days after providing notice to Nucor or its successor.

EGJ:PKB:red

Originator: Prem Bahl

SERVICE LIST FOR: UNS Electric, Inc. and Mohave Electric Cooperative, Inc. DOCKET NOS.: E-04204A-04-0824, E-01750A-04-0824, E-01750-04-0798; E-04204A-04-0798 and E-04230A-04-0798

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Mr. Christopher Kempley Chief Counsel, Legal Division Arizona Corporation Commission 1200 West Washington Street Phoenix, Arizona 85007

Mr. Ernest G. Johnson Director, Utilities Division Arizona Corporation Commission 1200 West Washington Street Phoenix, Arizona 85007

#### STAFF REPORT UTILITIES DIVISION ARIZONA CORPORATION COMMISSION

## MOHAVE ELECTRIC COOPERATIVE and UNS ELECTRIC, INC.

DOCKET NOs. E-01750A-04-0798, E-04204A-04-0798, E-04230A-04-0798, E-04204A-04-0824 and E-01750A-04-0824

COMPLAINT OF MOHAVE ELECTRIC COOPERATIVE AND APPLICATION OF UNS ELECTRIC, INC. FOR AN ORDER APPROVING A TRANSFER OF A PORTION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY STIPULATION AND PROPOSED RESOLUTION BY MOHAVE ELECTRIC COOPERATIVE AND UNS ELECTRIC, INC.

#### STAFF ACKNOWLEDGMENT

The Staff Report for Mohave Electric Cooperative and UNS Electric, Inc. (Docket Nos. E-01750A-04-0798, E-04204A-04-0798, E-04230A-04-0798; E-04204A-04-0824, and E-01750A-04-0824) was the responsibility of the Staff member listed below. Prem Bahl was responsible for Staff's review and analysis.

Prem Bahl

Prem Bahl

Utilities Electrical Engineer

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# EXECUTIVE SUMMARY MOHAVE ELECTRIC COOPERATIVE and UNS ELECTRIC, INC.

DOCKET NOS. E-01750A-04-0798, E-04204A-04-0798, E-04230A-04-0798, E-04204A-04-0824 and E-01750A-04-0824

Utilities Division Staff ("Staff") presents its position in the case of the joint filing by Mohave Electric Cooperative ("Mohave" or "MEC") and UNS Electric, Inc. ("UNS") of "Stipulation and Proposed Resolution" ("Resolution") to the outstanding disputes between the two utilities in the referenced dockets.

Staff has reviewed the direct testimony of Thomas J. Ferry on behalf of UNS in support of the "Stipulation and Proposed Resolution." Based on review of the conditions of the Resolution agreed to by UNS and MEC and the testimony of Mr. Ferry, Staff believes that the Resolution is reasonable and resolves the dispute in an amicable and equitable manner. Staff, therefore, supports the above Resolution under which the CC&N pertaining to service to CTI would be reverted to UNS and the CC&N pertaining to service to Nucor remain with MEC in accordance with the conditions of the Resolution.

Staff recommends that the Commission approve the mutual agreement between UNS and MEC to provide electric service to CTI and Nucor and other pertinent existing and future electric load in the two respective CC&Ns as jointly proposed by both the utilities.

Per the Resolution, the Nucor plant site would be transferred to UNS no later than December 31, 2010. Staff further recommends that Nucor or its successor be provided notice at least six months before the service to Nucor or its successor reverts to UNS from MEC. A copy of this notice should be filed with Docket Control within 30 days after providing notice to Nucore or its successor.

Mohave Electric Cooperative and UNS Electric, Inc. Docket Nos. E-01750A-04-0798 ET AL Page 1

#### I. Purpose

The purpose of this report is to provide the Utilities Division Staff's (Staff) views on the joint filing by Mohave Electric Cooperative, Inc. ("Mohave" or "MEC") and UNS Electric, Inc. ("UNS")<sup>1</sup> relative to "Stipulation and Resolution" ("Resolution"), which is intended to resolve all the disputes between these two utilities. In addition to reviewing the Resolution, Staff also reviewed the testimony of Thomas J. Ferry filed on behalf of UNS in support of the Resolution.

#### II. Background

On November 5, 2004, Mohave filed with the Arizona Corporation Commission ("Commission") a Complaint in Docket No. E-04230A-04-0798 ("Complaint Docket") against UniSource Energy Corporation ("UniSource") alleging, among other things, that UniSource refused to provide wholesale service to Mohave under an Open Access Transmission Tariff ("OATT"), and that UniSource refused to negotiate in good faith a system-wide borderline agreement with Mohave. MEC's request to UniSource stemmed from its need to provide electric service to a customer, Central Trucking, Inc. ("CTI") that seeks to construct a building to conduct business in Mohave's certificated service area.

On November 15, 2004, UNS Electric, Inc. ("UNS") filed with the Commission an application in Docket Nos. E-04204A-04-0824 and E-01750A-04-0824 ("Transfer Dockets") seeking to have territory that was previously within the certificated service territory of UNS' predecessor, Citizens Utilities Company ("Citizens"), revert to UNS. MEC currently holds the Certificate of Convenience and Necessity ("CC&N" or "certificate") for the territory that is in dispute and where CTI's property is located, pursuant to Decision No. 58798 (October 14, 1994). UNS contends that Mohave was granted the portion of the service area in question solely for the purpose of serving a specific customer, North Star Steel Company ("North Star"), which is no

<sup>1</sup> UNS is a subsidiary of UniSource that provides electric service in Mohave County. UNS acquired the Certificate of Convenience and Necessity of Citizens' Mohave Electric Division pursuant to Decision No. 66028 (July 3, 2003).

longer in business. (North Star was later bought by an entity by the name of Nucor.) UNS states

that because the disputed area was previously served by Citizens, and North Star is no longer in

business, the CC&N area in which CTI is located should revert<sup>2</sup> to UNS as Citizens' successor in

interest. UNS denies the material allegations in MEC's Complaint Docket in its Transfer

Dockets and asserts that it is willing and able to provide immediate electric service to CTI with

facilities that are adjacent to CTI's property.

On January 11, 2005, UNS filed a letter sent to Mohave requesting that Mohave enter

into an Electric Service Authorization Agreement that would allow UNS to immediately provide

service to CTI, on an interim basis, while the Complaint Docket and Transfer Dockets are

pending for Commission decision.

On January 31, 2005, the Commission issued an Emergency Order for Provision of

Electric Service ("Emergency Order") (Decision No. 67535). In the Emergency Order, the

Commission directed UNS to immediately provide electric service to CTI, on an interim basis,

until the issues raised in the Complaint Docket and Transfer Dockets are resolved.

III. Procedural Order

On June 7, 2005, the Commission Administrative Law Judge issued a Procedural Order

concerning the aforementioned dockets. Among other matters, the Procedural Order set forth the

date, time and place of the next hearing in this case. The Procedural Order further directed Staff

to file any Supplemental Staff Report and/or associated exhibits to be presented at the hearing.

2 Pursuant to a Letter Agreement dated May 3, 1994, between Citizens (now UNS) and MEC under Tab B of Answer and Motion for Dismissal of the Complaint Docket.

Mohave Electric Cooperative and UNS Electric, Inc. Docket Nos. E-01750A-04-0798 ET AL Page 3

On June 15, 2005, MEC and UNS jointly filed a "Stipulation and Proposed Resolution" to the outstanding disputes between the two utilities in the referenced dockets. The following was filed under the Resolution, signed by the designated attorneys of both utilities on June 15, 2005:

"NOW THEREFORE, Mohave and UNS respectfully request that the Commission enter a Decision and Order in the above-captioned matters:

- 1. Transferring to UNS Electric, contingent upon UNS Electric's payment to Mohave of \$48,070.00<sup>1</sup> for Mohave installed facilities ("Mohave Facilities"), that portion of Mohave's CC&N granted pursuant to Decision No. 58798, excepting the portion thereof depicted by Exhibit A<sup>3</sup> attached hereto (the "Plant Site");
- 2. Approving the transfer of the Mohave Facilities to UNS;
- 3. Transferring, without the need of further order of the Commission, the Plant Site, the earlier of:
  - a. December 31, 2010; or
  - b. On the date specified by Mohave in a written notification to UNS Electric and the Director of Utilities that the customer's electric needs no longer can be met by the existing MEC contractual arrangements; such written notification to be provided not less than six calendar months prior to the date specified in the written notice.
- 4. Dismissing with prejudice all issues raised in Mohave's Complaint and UNS' Application as they relate to the provision of electric service to the NSS Site. Such dismissal shall have no precedential effect whatsoever beyond the NSS Site."

<sup>1</sup> The \$48,070.00 is composed of the \$67,400 in facilities set forth in Exhibit B depreciated on a straight-line basis with a twenty-five (25) year remaining life using a thirty-five (35) year life span.

<sup>2</sup> All Mohave Facilities are being transferred "As is", and Mohave shall assign or quit claim all easements and rights-of-way to the extent they contain the Mohave Facilities; provided, however, that the transfer of the Mohave Facilities and related easements and rights-of-way shall not take place and UNS shall have no obligation to pay for the Mohave Facilities unless and until any and all necessary approvals, assignments, and/or releases are received from the Rural Utilities Service (RUS) and any other lienholder in relation to the Mohave Facilities.

<sup>3</sup> The parties will provide a legal description for the Plant Site prior to the hearing.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

Staff has reviewed the direct testimony of Thomas J. Ferry on behalf of UNS in support of the "Stipulation and Proposed Resolution." Based on review of the conditions of the Resolution agreed to by UNS and MEC and the testimony of Mr. Ferry, Staff believes that the Resolution is reasonable and resolves the dispute in an amicable and equitable manner. Staff, therefore, supports the above Resolution under which the CC&N pertaining to service to CTI be reverted to UNS and the CC&N pertaining to service to Nucor remain with MEC in accordance with the conditions of the Resolution.

Staff recommends that the Commission approve the mutual agreement between UNS and MEC to provide electric service to CTI and Nucor and other pertinent existing and future electric load in the two respective CC&Ns as jointly proposed by both the utilities.

Per the Resolution, the Nucor plant site would be transferred to UNS no later than December 31, 2010. Staff further recommends that Nucor or its successor be provided notice at least six months before the service to Nucor or its successor reverts to UNS from MEC. A copy of this notice should be filed with Docket Control within 30 days after after providing notice to Nucor or its successor.

#### BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER, CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES



IN THE MATTER OF THE COMPLAINT OF MOHAVE ELECTRIC COOPERATIVE, INC. AGAINST UNISOURCE ENERGY CORPORATION.

DOCKET NO. E-01750A-04-0798 E-04204A-04-0798 E-04230A-04-0798

IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR AN ORDER APPROVING A TRANSFER OF A PORTION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. E-04204A-04-0824 DOCKET NO. E-01750A-04-0824

NOTICE OF FILING DIRECT TESTIMONY OF AARON STALLINGS ON BEHALF OF MOHAVE ELECTRIC COOPERATIVE, INC. IN SUPPORT OF THE STIPULATION AND PROPOSED RESOLUTION

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Notice is given that Mohave Electric Cooperative, Inc. ("MEC") has this date filed the direct testimony of Aaron Stallings in the above-captioned dockets in support of the Stipulation and Proposed Resolution previously filed jointly by MEC and UNS Electric, Inc.

RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of June, 2005.

CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB, P.L.C.

By:

Michael A. Curtis William P. Sullivan 2712 North 7th Street Phoenix, Arizona 85006-1090 Attorneys for Mohave Electric Cooperative, Inc.

#### PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 24th day of June, 2005, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and seventeen (17) copies of the above to:

Docket Control Division ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, Arizona 85007

With copies of the foregoing mailed this 24<sup>th</sup> day of June, 2005 to:

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1	Jason Gellman, Esq.
2	Legal Division
2	ARIZONA CORPORATION COMMISSION
3	1200 West Washington Street Phoenix, Arizona 85007
4	Thomas Thillian 30 30 7
- 1	Ernest Johnson
5	Director, Utilities Division
6	ARIZONA CORPORATION COMMISSION 1200 West Washington Street
	Phoenix, Arizona 85007
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9	40 N. Central Ave.
9	Phoenix, AZ 85004-4429
10	Attorneys for UNS Electric, Inc.
11	Michelle Livengood
	Legal Department
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13	One South Church Avenue PO Box 711
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15	
16	Terrence G. O'Hara
	Vice President Western Division
17	Central Trucking Inc.
18	11930 N. Hartman Dr. Edinburgh, IN 46124
19	Edinouigh, IN 40124
17	
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#### PRE-FILED TESTIMONY OF AARON STALLINGS ON BEHALF OF

#### MOHAVE ELECTRIC COOPERATIVE, INC.

In Docket Numbers E-04230A-04-0798; E-04204A-04-0798; E-04230A-04-0798; E-01750A-04-0824 and E-04204A-04-0824

- Q: What is your name and business address?
- A: My name is Aaron Stallings and my business address is 1999 Arena Drive, Bullhead City, Arizona.
- Q: By whom and in what capacity are you employed?
- A: I am employed by Mohave Electric Cooperative, Inc. ("Mohave") as its Manager of External Affairs.
- Q: On whose behalf and for what purpose are you testifying in this proceeding?
- A: I am testifying on behalf of Mohave in support of the Joint Stipulation and Proposed Resolution filed on June 15, 2005 on behalf of Mohave and UNS Electric, Inc. ("UNS") in these dockets (the "Joint Stipulation").
- Q: I show you what has been marked as Mohave Exhibit No. 1 (attached hereto as Exhibit AS-1) and ask you if it is a true and correct copy of the Stipulation, including Exhibit A and B thereto?
- A: Yes it is.
- Q: Would you briefly explain the nature of the proposed resolution set forth in Stipulation?
- A: The parties propose to resolve the pending matters by transferring a portion of Mohave's certificate of convenience and necessity ("CC&N") to UNS subject to payment by UNS to Mohave and transfer by Mohave to UNS of certain electric facilities Mohave has installed in the area. The portion to be transferred upon payment to Mohave is the area certificated to Mohave pursuant to Decision No. 58798 except the plant site depicted on Exhibit A to the Stipulation. The portion

Page 2
Pre-filed Testimony of
Aaron Stallings
Docket Nos E-04230A-04-0798, et al.

of Mohave's CC&N containing the plant site would automatically be transferred to UNS the earlier of December 31, 2010 or upon six months notice by Mohave that it is no longer able to meet the electric service needs of the plant.

- Q: What electric facilities will UNS be purchasing under the Stipulation?
- A: The electric facilities are set forth on Exhibit B to the Stipulation. They can be described generally as approximately a mile of distribution facilities, including a transformer and appurtenant facilities. They were installed by Mohave about ten years ago so Mohave could provide service to various retail customers in the area, the most significant of which was Roadrunner Trucking that operated a trucking facility very similar to that recently proposed by CTI. Mohave is selling the facilities "as is," but has agreed to assign or quit claim any easements it has obtained directly related to these facilities, as well as to secure any necessary releases from Mohave's lenders.
- Q: What is the purchase price of the facilities UNS has agreed to pay?
- A: \$48,070.00. This amount reflects the original book value of the facilities being purchased less ten years of depreciation computed on a straight-line basis over the estimated average life of 35 years.
- Q: Please explain how the proposed resolution set forth in the Stipulation is in the public interest?
- A: UNS and Mohave have filed competing requests for relief with the Commission.

  Both utilities believe their positions have merit and neither waived any arguments they may have by submitting the Stipulation. Both utilities recognize that unless a mutually acceptable resolution is reached, Mohave, UNS, Commission Staff and possibly others, will expend significant resources preparing for and participating in hearings and possible appeals. The question of who will ultimately serve the area may be unresolved for a number of years while the matter is litigated before

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Pre-filed Testimony of
Aaron Stallings
Docket Nos E-04230A-04-0798, et al.

the Commission and the courts. Development of the area, which appears to be on the verge of taking off, could be adversely affected.

On the other hand, the proposed resolution, as outlined in the Stipulation, will ensure the plant's electric needs will continue to be met by Mohave, thereby assuring no disruption in supply between Mohave and its existing customer. Beyond the plant site, where UNS is providing service on a temporary emergency basis, UNS will meet the electric needs of new retail loads. In other words, the resolution proposed by Mohave and UNS provides all customers, existing and prospective, with ready access to an electric service provider, while resolving the existing dispute between UNS and Mohave without the need of contested proceedings.

The resolution proposed by the Stipulation also recognizes the good faith efforts of Mohave over the years to meet the electric demands in this portion of its CC&N. Mohave's existing customer will remain a Mohave customer through December 31, 2010. Additionally, Mohave, and its member-customers, will receive fair value for the electric facilities that were installed in good faith to meet the needs of an area that will be transferred to UNS. The distribution facilities being purchased by UNS have previously been interconnected with the distribution system now owned by UNS and therefore should readily integrate into the UNS system and facilitate the provision of service in the area by UNS.

- Q: Please summarize how the proposed resolution would be implemented?
- A: The Stipulation requests the Commission enter a Decision transferring the CC&N granted by Decision No. 58798, excepting the plant site, upon UNS' payment to Mohave of \$48,070.00 for the electric facilities and to automatically transfer the plant site to UNS the earlier of December 31, 2010 or after 6 months written notice by Mohave to the Director and UNS. The parties and the Commission then know the date certain when the transfer will be effectuated and will be able to

Page 4
Pre-filed Testimony of
Aaron Stallings
Docket Nos E-04230A-04-0798, et al.

smoothly make the transition from one provider to the other. If Mohave desires to transfer the CC&N earlier, it may do so, upon 6 months notice. This will provide adequate notice to UNS and the Commission of the pending transfer to take any action either deems necessary under the circumstances. However, no further order of the Commission would be necessary to effectuate the further transfer, but none would be precluded either.

The Decision when entered would make further consideration of the arguments raised by the parties unnecessary. No substantive decision will have been made regarding the arguments raised in the pleadings, other than a determination that the transfer of the CC&N consistent with the Stipulation is in the public interest. However, when the Stipulation is approved by the Commission and implemented by the parties, neither Mohave nor UNS will have reason to raise these issues with regard to the area being transferred to UNS.

- Q: Have legal descriptions been prepared for the areas to be transferred?
- A: The total area is described in Exhibit A to Decision No. 58798. The parties will submit a legal description of the plant site at or prior to hearing.
- Q: Does this conclude your testimony?
- A: Yes it does.

#### **Exhibit AS-1**

#### BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER, CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE COMPLAINT OF MOHAVE ELECTRIC COOPERATIVE, INC. AGAINST UNISOURCE ENERGY CORPORATION.

IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR AN ORDER APPROVING A TRANSFER OF A PORTION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. E-01750A-04-0798 E-04204A-04-0798 E-04230A-04-0798

DOCKET NO. E-04204A-04-0824 DOCKET NO. E-01750A-04-0824

STIPULATION AND PROPOSED RESOLUTION BY MOHAVE ELECTRIC COOPERATIVE, INC. AND UNS ELECTRIC, INC.

Mohave Electric Cooperative, Inc. ("Mohave") and UNS Electric, Inc. ("UNS"), by and through their attorneys undersigned, in an effort to avoid the time and expense of a contested hearing and possible litigation, and without waiving any claims they may otherwise have, respectfully jointly stipulate and submit this proposed resolution of the above-captioned dockets.

WHEREAS, on or about August 23, 1994, following receipt of the May 3,

1994 letter from Citizens Utilities Company ("Citizens") and after negotiating the necessary power supply agreements with the Arizona Electric Power Cooperative, Inc. ("AEPCO") and North Star Steel ("NSS"), Mohave filed an application for the transfer of a portion of Citizens' CC&N involving a 1,040-acre site near Kingman, Arizona in Sections 4, 5, and 9, Township 20 North, Range 17 West, Mohave County, Arizona (the "NSS Site") where North Star Steel wanted to build a mini-mill steel recycling facility;

WHEREAS, the Commission approved Mohave's application by Decision No. 58798, dated October 14, 1994, and transferred the portion of Citizens' CC&N as described in Exhibit A to Decision No. 58798 to Mohave.

WHEREAS, a plant was constructed on the NSS Site and Mohave met its electric needs through contractual arrangements with AEPCO and the plant owner;

WHEREAS, prior to 2005, Mohave had constructed a distribution system on the NSS Site and secured power from Citizens to serve the electrical needs of all customers, other than the plant, on the NSS Site (i.e., contractors involved with constructing the NSS plant and a trucking operation established on the site);

WHEREAS, in 2004, Central Trucking, Inc. ("CTI") indicated it had a prospective need for electric service on the NSS Site;

WHEREAS, disputes have arisen between Mohave and UNS as to the provision of electric service to CTI and the NSS Site and those disputes have resulted in a the filing of the above captioned Complaint and Application;

WHEREAS, the Commission entered an Emergency Order for Provision of Electric Service (Decision No. 67535) ordering UNS to provide CTI service pending the resolution of these matters; and

WHEREAS, Mohave and UNS believe it is in the public interest to resolve the outstanding disputes as set forth in this Stipulation.

NOW THEREFORE, Mohave and UNS respectfully request that the Commission enter a Decision and Order in the above-captioned matters:

- 1. Transferring to UNS Electric, contingent upon UNS Electric's payment to Mohave of \$48,070.00<sup>1</sup> for Mohave installed facilities ("Mohave Facilities"), that portion of Mohave's CC&N granted pursuant to Decision No. 58798, excepting the portion thereof depicted by Exhibit A<sup>3</sup> attached hereto (the "Plant Site");
- 2. Approving the transfer of the Mohave Facilities to UNS;
- 3. Transferring, without the need of further order of the Commission, the Plant Site, the earlier of:
  - a. December 31, 2010; or
  - b. On the date specified by Mohave in a written notification to UNS

    Electric and the Director of Utilities that the customer's electric

    needs no longer can be met by the existing MEC contractual

    arrangements; such written notification to be provided not less

<sup>1</sup> The \$48,070.00 is composed of the \$67,400 in facilities set forth in Exhibit B depreciated on a straight-line basis with a twenty-five (25) year remaining life using a thirty-five (35) year life span.

<sup>2</sup> All Mohave Facilities are being transferred "As is", and Mohave shall assign or quit claim all easements and rights-of-way to the extent they contain the Mohave Facilities; provided, however, that the transfer of the Mohave Facilities and related easements and rights-of-way shall not take place and UNS shall have no obligation to pay for the Mohave Facilities unless and until any and all necessary approvals, assignments, and/or releases are received from the Rural Utilities Service (RUS) and any other lienholder in relation to the Mohave Facilities.

<sup>3</sup> The parties will provide a legal description for the Plant Site prior to the hearing.

than six calendar months prior to the date specified in the written notice.

4. Dismissing with prejudice all issues raised in Mohave's Complaint and UNS' Application as they relate to the provision of electric service to the NSS Site. Such dismissal shall have no precedential effect whatsoever beyond the NSS Site.

DATED this 17<sup>th</sup> day of June 2005.

CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB, P.L.C.

Michael A. Curtis

William P. Sullivan

2712 North Seventh Street

Phoenix, Arizona 85006

Attorneys for Mohave Electric

Cooperative, Inc.

LEWIS & ROCA, L.L.P.

Thomas H. Campbell

40 N. Central

Phoenix, Arizona 85004

Attorneys for UNS Electric, Inc.

#### PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 17<sup>th</sup> day of June, 2005, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and twenty-one (21) copies of the above to:

Docket Control Division ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, Arizona 85007

With copies of the foregoing hand delivered/mailed this 17<sup>th</sup> day of June, 2005 to:

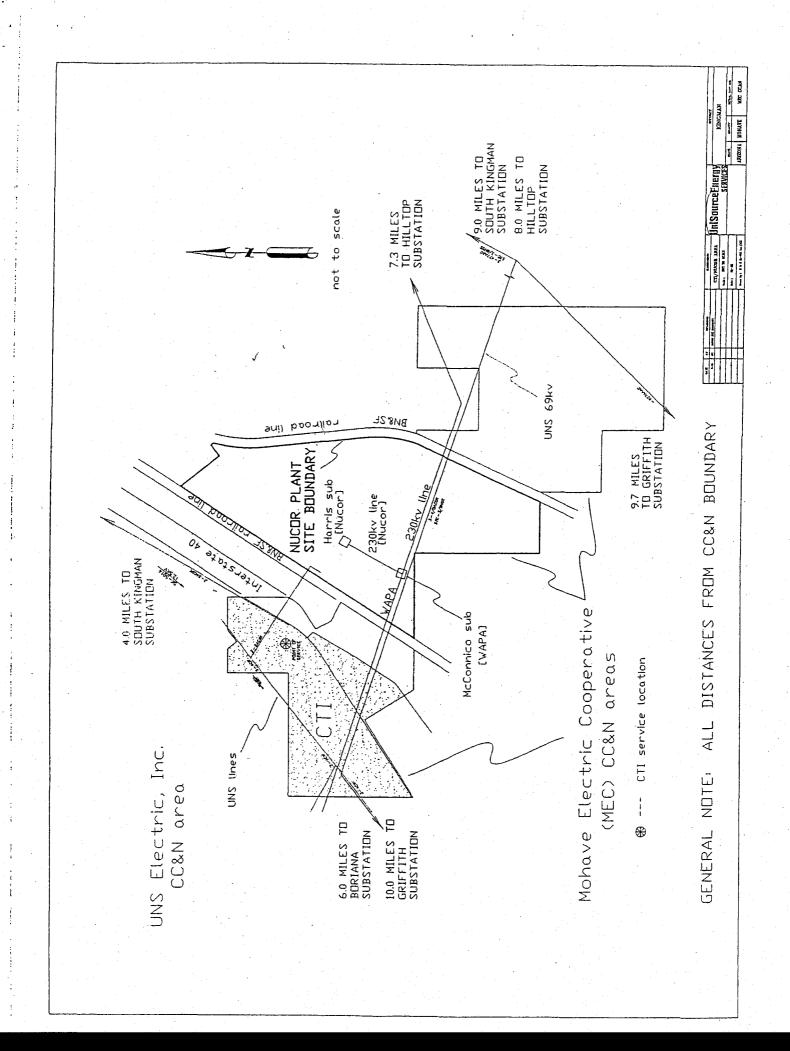
Jason Gellman, Esq. Legal Division ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, Arizona 85007

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Director, Utilities Division
ARIZONA CORPORATION COMMISSION
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Terrence G. O'Hara Vice President Western Division Central Trucking Inc. P.O. Box 6355 Kingman, AZ. 86401

1234/-7-46/pleadings/Joint Resolution060905

## EXHIBIT A



## EXHIBIT B

35,405.73

MOHAVE ELECTRIC CO-OP. TEL 928-763-3315

May 25 05 16:07 No.002 P.02



P.O. Box 1045, Bullhead City, AZ 86430

#### ELECTRIC FACILITIES OFFERED TO UNS

#### LABOR:

778.5 MEC HOURS

TRAFFIC CONTROL		156.00
	\$	35,561.73
	•	
MATERIAL:		•
TRAFFIC CONTROL SIGNS & EQUIP.		141.12
1500 KVA PADMOUNT TRANSFORMER	1	8,642.50
LEAD HEAD ADAPTER	1	4.09
LARGE PLATE ANCHORS	15	355,48
RISER ARRESTORS	3	233.25
ELBOW ARRESTORS	3	378.54
GUY ATTACHMENTS	11	21.62
POLE EYE PLATE ATTACHMENTS	13	130.07
CARRIAGE BOLTS	8	2.41
UPSET BOLTS	2	5.80
EYE BOLTS	35	108.23
MACHINE BOLTS	106	300.62
CROSS-ARM 28 INCH BRACES	8	18.60
HORIZ. POST INSULATOR BRACKETS	15	129.42
J-10 3 INCH CLEVIS	5	15.46
PRIMARY 1/O CABLE	410'	793.57
DEAD END STRAIGHT CLAMPS	60	558.57
TRUNION CLAMPS	16	87.04
THIMBLE, A-3, CLEVIS	21	86.78
LINE, PREFORM, DEADENDS	23	46.11
SERVICE PREFORM DEADENDS	4	3.15
GUY GRIP PREFORM DEADENDS	48	81.78
SECONDARY K-11 CLEVIS	3	3.91
ANCHOR SHACKLE	1	3.22
ACSR 1/O ALUMINUM	4584'	777.66
ACSR 4/O ALUMINUM	13751'	4,283.92
SOFT DRAWN BARE #6 COPPER	106'	19.47
SOFT DRAWN BARE #8 COPPER	8'	0.98
STRANDED BARE #4 COPPER	102'	27.82
STRANDED BARE 1/O COPPER	20'	12.33
TRIPLEX 1/O CONDUCTOR	132'	B2.74
INSULATED #4 COPPER	40'	13.67
H-TAP, ALUMINUM, CONNECTORS	137	102.70



MOHAVE ELECTRIC CO-OP. TEL 928-763-3315

May 25 05 16:07 No.002 P.03

#### **ELECTRIC FACILITIES OFFERED TO UNS**

	SERVICE ENTRANCE CONNECTORS	į ·				15		.10.93
	TRANSFORMER TANK GR CONNECT	OR				1	. 1	2.67
	HOT LINE CLAMP CONNECTORS					9		56.25
	STIRRUP CONNECTORS	* *				. 9	i	96.18
	LUG CONNECTORS		. •		• .	10		47.26
,	STEEL CROSSARMS	•				13	!	959.69
	DISTRIBUTION 8'-10' CROSSARMS					4		136,81
	LOAD BREAK CUTOUTS					- 3		394.36
	GROUND SLEEVE		•			1	!	248.36
	POLE GAIN					1	•	4.55
	MARKER GUYS					12		136.06
	BIRD GUARD COVERS			,		. 2		9.71
	PIN TYPE INSULATORS					9		86.69
	HORIZ. 25KV INSULATORS					15		561,52
	POST 25KV INSULATORS				•	13		231.74
	SPOOL 2 & 3 INCH INSULATORS					10		10.90
	DEAD END RUBBER INSULATORS					60		1,194.73
	EXTENSION, FIBERGLASS, LINKS					13	•	206.07
	EYE NUTS		. ".			10		13.31
	CROSS ARM CLAMP TYPE PINS					3	1.	25.01
	RIDGE PINS		•			5		25.13
	POLE BUTT GROUND PLATES					10		25.25
	25 FOOT POLE			•		1		184.12
	40 FOOT POLES					2	1	678.94
	45 FOOT POLES					8		3,559.29
	50 FOOT POLES					4		2,278.38
	55 FOOT POLES					2		1,494.22
	ANCHOR 3/4"x8" RODS	•				12		458.27
	GROUND RODS		•			6		40.49
	LAG SCREWS					6		2.18
	CABLE RISER 5' SHIELD					3		67.08
	PRIMARY CABLE TERMINATORS		•			3	!	566,38
	POWER CABLE 200 AMP ELBOWS					3		115.28
	TRANSFORMER INSERT BUSHINGS	• .				6		272.79
	CABLE SUPPORT GRIPS					3	`	50.20
	WRAP LOCK TIES					8		38.72
	NEUTRAL TIES					. 7	•	14.59
•	GUY STRAND WIRE					1537'	1	254.20
	SERVICE MAST WIRE HOLDER					1		3.89
	•					\$	i 3	32,032.83

MOHAVE ELECTRIC CD-DP. TEL 928-763-3315 May 2 05 16:08 No.002 P.04

#### ELECTRIC FACILITIES OFFERED TO UNS

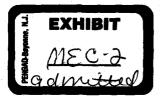
#### SALVAGED MATERIAL:

UPSET BOLT	*•	(1)	(2.63)
EYE BOLTS		(2)	(5.06)
MACHINE BOLTS		(5)	(11.18)
J-10 3 INCH CLEVIS		(2)	(5.83)
SECONDARY K-11 CLEVIS		(1)	(0.95)
TRIPLEX 1/O CONDUCTOR		(165)	(99.83)
HOT LINE CLAMP CONNECTORS		(2)	(11.18)
STIRRUP CONNECTORS		(2)	(28.79)
SPOOL 2 & 3 INCH INSULATORS		(4)	(5.19)
25 FOOT POLE		(1)	. (122.41)
SERVICE MAST WIRE HOLDER		(1)	(3.51)
		•	(\$296.56)

TOTAL WORK ORDER COST:

67,298.00

EXHIBIT A



#### LEGAL DESCRIPTION "F-1"

A parcel of land located in the West Half and the West Half of the East Half of Section 4, the Southeast Quarter and Government Lot 9 of Section 5, and the Northwest Quarter of Section 9 all in Township 20 North, Range 17 West of the Gila and Salt Piver Meridian, Mohave County, Arizona and said parcel of land being more particularly described as follows:

BEGINNING at the Southeast Corner of said Section 5, and running thence. North 89°47'47" West, along the South Line of said Section 5, a distance of 1847.73 feet to a point lying Southeasterly 100.00 feet at a right angle to the centerline of the existing West bound main track of the Atchison, lopeka and Santa fe Railway Company;

Thence, North 32°54'09" East, along a line being Southeasterly 100.00 feet and parallel to the centerline of said West bound main track, a distance of 3395.41 feet to a point common to the East Line of said Section 5 and the West Line of said Section 4:

Thence, continuing North 32°54'09" East, along the line being Southeasterly 100.00 feet and parallel with the centerline of said West bound main track, 2582.07 feet to a point of curvature of a curve to the right having a radius of 5629.65 feet:

Thence, Northeasterly, 569.02 feet, along the arc of said curve through a central angle of 05°47'28.5" to a point on the Southwesterly Soundary of the Unaweep Patented Mineral Claim as delineated by U.S. Mineral Survey 2750:

Thence, South 38°12'00" East, along the Southwesterly Boundary of said Unaweep Mineral Claim, 1064.18 feet to the Southeasterly Corner thereof:

Thence, North 51°48'33" East. along the Southeasterly Boundary of said Unaweep Mineral Claim. 300.02 feet to a point being the Northwesterly Corner of the Cadillac Patented lineral Claim as dolineated by U.S. Mineral Survey 2750;

LEGAL DESCRIPTION "F-1" PAGE TWO OF TWO

Thence, South 37°59'27" East, along the Southwesterly Boundary of said Cadillac Mineral Claim, 66.55 feet to a point being Northwesterly 100.00 feet at a right angle to the centerline of the East bound main track of the Atchison, Topeka and Santa Fe Railway Company;

Thence, South 11º44'40" West, along a line being Westerly 100.00 feet and parallel to the centerline of said East bound main track, a distance of 307.09 feet to a point of curvature of a curve to the left having a radius of 2964.93 feet:

Thence, Southwesterly 831.27, along the arc of last said curve through a central angle of 16°03'50" to the point of tangency of said curve;

Thence, South 04º19'10" East, along a line being westerly 100.00 feet and parallel to the centerline of said East bound main track, 2081.46 feet to a point of curvature of a curve to the right having a radius of 2764.93 feet:

Thence, Southwesterly 1420.64, along the arc of last said curve through a central angle of 29°26'20" to the point of tangency of said curve:

Thance, South 25°07'10" West, along a line being Westerly 100.00 feet and parallel to the centerline of said East bound main track, 215.18 feet to a point being common to the South Line of said Section 4 and the North Line of said Section 9;

Thence, South 25°07'10" West, along a line being Westerly 100.00 feet and parallel to the centerline of said East bound main track, 2917.39 feet to a point on the South Boundary of the Northwest Quarter of said Section 9:

Thence, South 89°58'03" West, along said South Boundary, 1113.28 feet to the West One-quarter (WI/4) Section Corner of said Section 9;

Thence, North 00°14'02" West, along the West Line of said Section 9, a distance of 2638,64 feet to the POINT OF PEGINNING.

The parcel of land herein described containing 453.54 acres. more or less.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER, CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES



IN THE MATTER OF THE COMPLAINT OF MOHAVE ELECTRIC COOPERATIVE, INC. AGAINST UNISOURCE ENERGY CORPORATION.

IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR AN ORDER APPROVING A TRANSFER OF A PORTION OF A CERTIFICATE OF CONVENIENCE AND NECESSITY. DOCKET NO. E-01750A-04-0798 E-04204A-04-0798 E-04230A-04-0798

DOCKET NO. E-04204A-04-0824 DOCKET NO. E-01750A-04-0824

NOTICE OF FILING DIRECT TESTIMONY OF THOMAS J. FERRY ON BEHALF OF UNS ELECTRIC, INC. IN SUPPORT OF THE STIPULATION AND PROPOSED RESOLUTION



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Notice is given that UNS Electric, Inc. is filing the direct testimony of

Thomas J. Ferry in the above-captioned dockets.

RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of June, 2005.

LEWIS AND ROCA LLP

Thomas H. Campbell Michael T. Hallam 40 N. Central Avenue Phoenix, Arizona 85004

- AND -

Michelle Livengood **UniSource Energy Corporation** One S. Church Avenue P.O. Box 711 Tucson, Arizona 85702-0711

Attorneys for UNS Electric, Inc.

ORIGINAL and twenty-one (21) copies of the foregoing filed this 24th day of June, 2005, with:

The Arizona Corporation Commission Utilities Division - Docket Control 1200 W. Washington Street Phoenix, Arizona 85007

COPY of the foregoing hand-delivered this 24<sup>th</sup> day of June, 2005, to:



3

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Jason Gellman

Diane Targovnik

Legal Division - Arizona Corporation Commission

1200 W. Washington Street

Phoenix, Arizona 85007

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**Dwight Nodes** 

Hearing Division - Arizona Corporation Commission

1200 W. Washington Street

Phoenix, Arizona 85007

8

Ernest Johnson, Director

9 Utilities Division

Arizona Corporation Commission

1200 W. Washington Street

11 Phoenix, Arizona 85007

12

13 COPY of the foregoing mailed this 24<sup>th</sup> day of June, 2005, to:

14

Michael A. Curtis

William P. Sullivan

16 K. Russell Romney

Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.

17 2712 N. 7<sup>th</sup> Street

18 Phoenix, Arizona 85006-1090

19

20

Terrence G. O'Hara,

Vice President Western Division

Central Trucking, Inc.

21 P.O. Box 6355

Kingman, Arizona 86401

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Jayre Williams



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25 26 BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS** JEFF HATCH-MILLER, CHAIRMAN WILLIAM A. MUNDELL MARC SPITZER MIKE GLEASON

KRISTIN K. MAYES

IN THE MATTER OF THE COMPLAINT OF MOHAVE ELECTRIC COOPERATIVE, INC. AGAINST UNISOURCE ENERGY CORPORATION.

IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR AN ORDER APPROVING A TRANSFER OF A PORTION OF A CERTIFICATE OF CONVENIENCE AND

NECESSITY.

DOCKET NO. E-01750A-04-0798 E-04204A-04-0798

E-04230A-04-0798

DOCKET NO. E-04204A-04-0824 DOCKET NO. E-01750A-04-0824

**DIRECT TESTIMONY** OF THOMAS J. FERRY ON BEHALF OF UNS ELECTRIC, INC. IN SUPPORT OF THE STIPULATION AND PROPOSED RESOLUTION

June 24, 2005



#### **INTRODUCTION**

#### Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Thomas J. Ferry. I am Vice President and General Manager of UNS Electric Inc. ("UNS Electric"). My business address is 2498 Airway Avenue, Kingman, Arizona 86401.

#### Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

A. I have overall management responsibility for the electric operations in Mohave County, Arizona. Oversight includes construction and maintenance of electric transmission and distribution systems as well as business office functions related to serving electric and gas customers in Mohave County.

#### Q. PLEASE SUMMARIZE YOUR EMPLOYMENT BACKGROUND.

A. I started in the power design field with Stanley Consultants Inc. in Muscatine, Iowa. I performed electric utility distribution and substation design and equipment testing. I joined Citizens Utilities Company ("Citizens") in Kingman, Arizona in 1972 as an Engineering Technician and moved to District Engineer and then to District Manager in Lake Havasu City from 1979 to 1985. I served as Division Manager responsible for Electric and Water operations in Idaho from 1985 to 1990. I returned to Kingman in 1990 as the Division Manager of Mohave



Electric Cooperative, Inc. ("MEC"). From 1997 to 1999, I worked on design and implementation of a corporate-wide financial and accounting systems for Citizens in Stamford, Connecticut. I returned again to Kingman in 1999 to serve as Division Manager for the electric operations in Arizona. UniSource Energy Corporation purchased Citizens' Electric Division in 2003, which led to my current position.

#### Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

- A. The purpose of my testimony is to support the Joint Stipulation and Proposed Resolution filed by MEC and UNS Electric.
- Q. ARE YOU FAMILIAR WITH THE JOINT STIPULATION AND PROPOSED RESOLUTION BETWEEN UNS ELECTRIC AND MEC IN THIS DOCKET?
- A. Yes.
- Q. DESCRIBE THE GEOGRAPHIC AREA ADDRESSED IN THE JOINT STIPULATION (THE "AREA").
- A. The Certificate of Convenience and Necessity ("CC&N") Area at issue is located near the McConnico interchange of I-40, approximately five miles south of Kingman, Arizona. It is approximately 1000 acres in size and is divided in two parts by I-40. The area east of the highway is about 800 acres in size and is located between and east of the railroad tracks owned by Burlington Northern and Sante Fe Railroad. Nucor owns an idle manufacturing facility originally constructed and operated by North Star Steel ("NSS") between the north and southbound tracks. The area west of I-40 is mostly vacant land adjacent to the highway frontage road



intended for commercial development and is where Central Trucking, Inc. ("CTI") is located. Attached as Exhibit TJF-1 is a map showing the entire Area and the Nucor plant site within the Area.

### Q. WHEN WAS THE CC&N FOR THIS AREA ORIGINALLY AWARDED TO CITIZENS?

A. The CC&N was originally granted to Citizens as part of the purchase of Public Utilities Consolidated Corporation in 1935.

## Q. WHY IS UNS ELECTRIC SUPPORTING THE JOINT STIPULATION WHICH TRANSFERS THIS AREA BACK INTO ITS SERVICE AREA?

A. UNS Electric can provide electric service to companies such as CTI that may want to locate in the Area. UNS Electric has facilities on site that can be used to provide service to new customers at a reasonable cost. Furthermore, UNS Electric's CC&N surrounds the Area and UNS Electric currently serves several customers in areas immediately adjacent to the Area.

### Q. DESCRIBE UNS ELECTRIC'S EXISTING FACILITIES IN THE AREA.

A. UNS Electric owns and operates three phase distribution lines, which traverse through the area and serve customers surrounding the Area. UNS Electric owns and operates two 69kV transmission lines which traverse the subject area and are used to supply power to distribution substations east, west and south of the Area. These lines originate at the Griffith transmission substation south of the Area and the Hilltop transmission substation north of the Area. The transmission

substations are interconnected to Western Area Power Administration ("WAPA") and provide most of the power requirements for UNS Electric's Kingman District. Exhibit TJF-1 shows the UNS Electric facilities in the Area.

### Q. DESCRIBE HOW UNS ELECTRIC WOULD SERVE THE CURRENT LOAD IN THE AREA.

- A. UNS Electric currently serves CTI from UNS Electric's distribution lines, which are located within the Area. UNS Electric could establish a delivery point at the McConnico transmission substation to serve the load currently served by MEC at the Nucor plant site.
- Q. DESCRIBE HOW UNS ELECTRIC WOULD SERVE ANY FUTURE LOAD IN THE AREA.
- A. UNS Electric has facilities described above which are capable of providing electric service in the Area. UNS Electric currently serves customers in all directions surrounding the Area. Depending on the size and specific location of the future load, facilities in the Area may need to be expanded.
- Q. IS UNS ELECTRIC WILLING TO PAY \$48,070 FOR THE MEC INSTALLED FACILITIES IN THE AREA, EXCEPTING THE PORTION DESCRIBED AS THE NUCOR PLANT SITE?
- A. Yes, UNS Electric believes that these facilities will be useful and that the price set using the straight line depreciation adjustment made in the proposal is reasonable. UNS Electric's purchase of these facilities is contingent upon all necessary approvals, assignments, and/or releases being received from the Rural Utility Service ("RUS") and any other lienholder on these facilities and MEC's



assignment and quit claim of all easements and rights-of-way to the extent they contain these facilities.

### Q. IS UNS ELECTRIC WILLING TO SERVE THE NUCOR PLANT SITE AT A LATER DATE?

- A. Yes. As set forth in the Stipulation, the CC&N for the Nucor plant site automatically will be transferred to UNS Electric at a later date. As stated above, UNS Electric will be able to serve the load at Nucor.
- Q. DOES UNS ELECTRIC BELIEVE THIS RESOLUTION IS REASONABLE AND IN THE PUBLIC INTEREST?
- A. Yes. UNS Electric believes this is a reasonable resolution of the matter that will allow UNS Electric to continue to serve CTI and any new customers in the Area and will allow UNS Electric to serve the Nucor plant site at some time in the future pursuant to the terms of the Stipulation.
- Q. WHAT ACTION IS UNS ELECTRIC REQUESTING FROM THE COMMISSION REGARDING THE STIPULATION AND PROPOSED RESOLUTION?
- A. UNS Electric requests that the Stipulation and Proposed Resolution be approved by the Commission and that the Docket be closed.
- Q. DOES THIS CONCLUDE YOUR TESTIMONY IN THIS MATTER?
- A. Yes, it does.

